

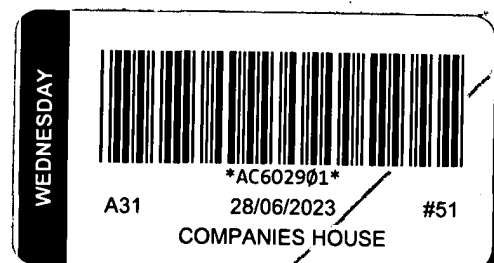


Financial Statements

Annual Report and Financial
Statements for the Year Ended

31st December 2022

**Propel Group
Finance Limited**
08665300



PROPEL GROUP FINANCE LIMITED

COMPANY INFORMATION

Directors

M Catton
M Hartig
R J McDougall
E H McNeill
M A Tweed
A Williams

Registered number

08665300

Registered office

Unit 5 Langstone Business Village
Langstone Park
Langstone
Newport
NP18 2LH

Independent auditors

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
6th Floor
3 Callaghan Square
Cardiff
CF10 5BT

Bankers

NatWest
High Street
Newport
NP20 1GG

PROPEL GROUP FINANCE LIMITED

CONTENTS

	Page
Strategic Report	4
Directors' Report	5 - 6
Independent Auditors' Report	7 - 11
Statement of Comprehensive Income	12
Statement of Financial Position	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15 - 29

PROPEL GROUP FINANCE LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements of the Company for the year ended 31 December 2022.

Principal activity

The principal activity of the Company is that of an intermediate holding Company. The Company does not actively trade but in 2022, the Company entered into external loan notes in support of wider Group activities, passing the funding obtained and associated interest cost to its subsidiaries via intergroup balances.

Review of the business and future developments**Future developments**

The plan for the future is for the Company to remain an intermediate holding company.

Going concern

The Company is an intermediate holding company with minimal 'trade'.

The financial statements are prepared on the assumption that the Propel Finance Group Holdings Limited Group ('Group') is a going concern and will continue in operation for the foreseeable future. In making this assessment the Board has considered predominantly, but not exclusively, the Group's closing net asset position, the FY 23-25 business plan, access to credit markets and recent covenant performance.

The Group is now well positioned as UK SME funder of choice with a market leading proposition and technology platform from which to scale. The Directors are confident that without further economic disruption our 2023 financial year will deliver a record level of originations and will deliver positive earnings, with revenue growth accelerating on the back of our origination / servicing platform on stable portfolio performance and flat operating cost base.

To deliver this plan, the Group is dependent upon continued access to credit facilities and liquidity. The financing brought into the Group provides for the required funding and liquidity, with discussions advanced to ensure facilities are renewed / increased as per business plan. Forecasting and stress test analysis has also been completed, with a number of assumptions used in those scenarios, which are predominantly based on levels of originations and funding mix.

The Group has already secured positive dialogue on renewals that are due in the next 12 months. This gives the Directors confidence of being able to fund future growth. The majority shareholder continues its commitment to the Group. The business model is further de-risked following the strategic equity investment from Barclays UK Investments Limited.

The Group's Net investment in Finance Lease receivable stood at £317m as at 31 May 2023. As an asset financing business offering loans typically with a term of 4-5 years, the Group also has the benefit of its existing loanbook as a key source of future cashflow. Management has considered a number of stress scenarios and mitigants to those. This further strengthens the Director's assumption on going concern. On this basis, the Directors have prepared the financial statements on a going concern basis.

This report was approved by the board on 21/6/2023 and signed on its behalf.

Mark Catton

M Catton
Director

PROPEL GROUP FINANCE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £Nil (2021: £12,738,090).

No dividends were distributed for the year ending 31 December 2022.

Directors

The directors who served during the year and up to the date of the financial statements were:

M Catton
M Hartig
R J McDougall
E H McNeill
M A Tweed
A Williams

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PROPEL GROUP FINANCE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Qualifying third party indemnity provisions

Directors and Officer's insurance cover has been established for all directors to provide appropriate cover for their reasonable actions on behalf of the Company. A deed was executed in 2020 indemnifying each of the directors of the Company and/or its subsidiaries as a supplement to the Director's and Officer's insurance cover. The indemnities, which constitute a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2002, were in force during the 2022 financial year and remain in force for all current and past directors of the Company.

Matters covered in the Strategic Report

Where the disclosure requirements of the directors' report are of strategic importance they are covered within the Strategic Report.

Post statement of financial position events

There have been no significant events affecting the Company since the year end.

Disclosure of information to auditors

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21/6/2023 and signed on its behalf.

Mark Catton

M Catton
Director



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROPEL GROUP FINANCE LIMITED

Opinion

We have audited the financial statements of Propel Group Finance Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as the recent Covid-19 pandemic which impacted the Group and the current inflationary and interest rate pressures, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROPEL GROUP FINANCE LIMITED
(CONTINUED)**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROPEL GROUP FINANCE LIMITED (CONTINUED)

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROPEL GROUP FINANCE LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to wider Group and the Company and determined that the most significant are those that relate to the financial reporting framework, being Financial Reporting Standard 102 and the Companies Act 2006, and also the Consumer Credit Acts 1974 and 2006, the particulars of the FCA Handbook and the Financial Services and Markets Act 2000;
- We have in addition identified areas of laws and regulation relating to financial crime, employment, health & safety, data protection that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector and through discussion with the Compliance and Conduct Risk Director of the Group and the parent company;
- We have assessed compliance with laws and regulations throughout the engagement through inspection of Board meetings minutes and inspection of legal and regulatory correspondence as appropriate;
- We have assessed the susceptibility of the wider Group and the company financial statements to material misstatement, including how fraud might occur. We considered the opportunity and incentives for management to perpetrate fraud, and the potential impact on the financial statements;
- We communicated relevant laws and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the wider Group and the Company's operations, including the nature of its revenue sources, products, and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the wider Group and the Company's control environment;
 - the wider Group and the Company's relevant controls over areas of significant risks; and
 - the wider Group and the Company's business processes in respect of classes of transactions that are significant to the financial statements;



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROPEL GROUP FINANCE LIMITED (CONTINUED)

- Audit procedures performed by the engagement team included:
 - identifying the significant risk of fraud within revenue recognition and undertaking substantive testing to obtain sufficient and appropriate audit evidence;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - identifying and testing related party transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included:
 - consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity;
 - appropriate training, knowledge of the industry in which the Group and the parent company operates; and
 - understanding of the legal and regulatory requirement specific to wider Group and the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Rhian Owen BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cardiff
Date: 21/6/2023

PROPEL GROUP FINANCE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	As restated 2021 £
Administrative expenses		-	(16)
Operating loss		-	(16)
Exceptional income		-	15,010,791
Interest receivable and similar income	6	875,328	-
Interest payable and similar expenses	7	(875,328)	(2,272,685)
Profit before tax		-	12,738,090
Tax on profit	8	-	-
Profit for the financial year		-	12,738,090
Total comprehensive income for the year		-	12,738,090

There were no recognised gains and losses for 2022 or 2021 other than those included in the Statement of Comprehensive Income.

The notes on pages 15 to 29 form part of these financial statements.

PROPEL GROUP FINANCE LIMITED
REGISTERED NUMBER:08665300

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Investments	10	10,822,275	10,822,275
		<u>10,822,275</u>	<u>10,822,275</u>
Current assets			
Debtors: amounts falling due within one year	11	77,325,629	43,352,417
Cash at bank and in hand	12	240,839	726
		<u>77,566,468</u>	<u>43,353,143</u>
Creditors: amounts falling due within one year	13	(214,574)	(1,249)
Net current assets		<u>77,351,894</u>	<u>43,351,894</u>
Total assets less current liabilities		<u>88,174,169</u>	<u>54,174,169</u>
Creditors: amounts falling due after more than one year	14	(24,000,000)	-
Net assets		<u><u>64,174,169</u></u>	<u><u>54,174,169</u></u>
Capital and reserves			
Called up share capital	16	49,809,240	48,431,290
Share premium account	17	15,138,418	6,516,368
Profit and loss account	17	(773,489)	(773,489)
		<u><u>64,174,169</u></u>	<u><u>54,174,169</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21/6/2023

Mark Tweed

M A Tweed
Director

The notes on pages 15 to 29 form part of these financial statements.

PROPEL GROUP FINANCE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2022	48,431,290	6,516,368	(773,489)	54,174,169
Total comprehensive income for the year	-	-	-	-
Contributions by and distributions to owners				
Proceeds from issue of shares (Note 16)	1,377,950	8,622,050	-	10,000,000
Total transactions with owners	1,377,950	8,622,050	-	10,000,000
At 31 December 2022	<u>48,809,240</u>	<u>15,138,418</u>	<u>(773,489)</u>	<u>64,174,169</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Share premium account £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 1 January 2021	3,000,201	-	817,835	(13,764,656)	(9,946,620)
Comprehensive income for the year					
Profit for the year	-	-	-	12,738,090	12,738,090
Total comprehensive income for the year	-	-	-	12,738,090	12,738,090
Contributions by and distributions to owners					
Transfer between reserves	-	-	(253,077)	253,077	-
Release of capital contribution reserve	-	-	(564,758)	-	(564,758)
Proceeds from issue of shares	45,431,089	6,516,368	-	-	51,947,457
Total transactions with owners	45,431,089	6,516,368	(817,835)	253,077	51,382,699
At 31 December 2021	<u>48,431,290</u>	<u>6,516,368</u>	<u>-</u>	<u>(773,489)</u>	<u>54,174,169</u>

The notes on pages 15 to 29 form part of these financial statements.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

Propel Group Finance Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Unit 5 Langstone Business Village, Langstone Park, Langstone, Newport, NP18 2LH.

Propel Group Finance Limited is itself a subsidiary company and is exempt from the requirement to prepare Group accounts by virtue of section 400 of the Companies Act 2006. The financial statements contain information about Propel Group Finance Limited as an individual company undertaking and not about its Group.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise stated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The Company is a wholly owned subsidiary of Propel Finance Group Holdings Limited and is included in the consolidated financial statements of Propel Finance Group Holdings Limited which are publicly available.

Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Propel Finance Group Holdings Limited as at 31 December 2022 and these financial statements may be obtained from Unit 5 Langstone Business Village, Langstone Park, Langstone, Newport, NP18 2LH.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.3 Prior period restatement**

There has been a presentational restatement to the prior year comparative Statement of Comprehensive Income. Exceptional income, as previously classified before Operating Profit in the Statement of Comprehensive Income is now reported after Operating Profit as a financing income to improve the clarity to the user as it related to income directly attributable to refinancing and not operating activities.

The effect of this change for the comparative year ended 31 December 2021 is that £15,010,791 has been included as exceptional income within financing activities, previously having been recorded before Operating Profit in the Statement of Comprehensive Income.

This has resulted in the Operating Profit reported in the prior year of £15,010,775 to be restated as an Operating Loss of £16. There is no impact on the overall performance of the Company reported in the Statement of Comprehensive Income in the previous year or asset or liability position presented in the Statement of Financial Position.

2.4 Going concern

The Company is an intermediate holding company with minimal 'trade'.

The financial statements are prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. In making this assessment the Board has considered predominantly, but not exclusively, the Group's closing net asset position, the FY 23-25 business plan, access to credit markets and recent covenant performance.

The Group is now well positioned as UK SME funder of choice with a market leading proposition and technology platform from which to scale. The Directors are confident that without further economic disruption our 2023 financial year will deliver a record level of originations and will deliver positive earnings, with revenue growth accelerating on the back of our origination / servicing platform on stable portfolio performance and flat operating cost base.

To deliver this plan, the Group is dependent upon continued access to credit facilities and liquidity. The financing brought into the Group provides for the required funding and liquidity, with discussions advanced to ensure facilities are renewed / increased as per business plan. Forecasting and stress test analysis has also been completed, with a number of assumptions used in those scenarios, which are predominantly based on levels of originations and funding mix.

The Group has already secured positive dialogue on renewals that are due in the next 12 months. This gives the Directors confidence of being able to fund future growth. The majority shareholder continues its commitment to the Group. The business model is further de-risked following the strategic equity investment from Barclays UK Investments Limited.

The Group's Net investment in Finance Lease receivable stood at £317m as at 31 May 2023. As an asset financing business offering loans typically with a term of 4-5 years, the Group also has the benefit of its existing loanbook as a key source of future cashflow. Management has considered a number of stress scenarios and mitigants to those. This further strengthens the Director's assumption on going concern. On this basis, the Directors have prepared the financial statements on a going concern basis.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.5 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans with related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the Statement of Financial Position date.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.8 Financial instruments (continued)**

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.12 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.13 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

2.14 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management have reviewed the estimates and assumptions and do not consider there are any of significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Auditors' remuneration

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group accounts of the parent Company.

The audit fee is accounted for within the Company's sister company Propel Finance Plc.

5. Employees

The Company has no employees, and the directors did not receive any remuneration in respect of their services on behalf of the Company (2021: £Nil).

6. Interest receivable

	2022 £	2021 £
Intercompany interest receivable	<u>875,328</u>	<u>-</u>

7. Interest payable and similar expenses

	2022 £	2021 £
Other loan interest payable	<u>875,328</u>	<u>2,272,685</u>

In the current year, Other interest payable is solely attributable to a term loan facility inception in the year (Note 15).

In prior year, Other interest payable was solely attributable to loan notes that were novated to Propel Finance Group Holdings Limited in the prior year (Note 18).

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Taxation

	2022 £	2021 £
	<u> </u>	<u> </u>
Total current tax	<u> - </u>	<u> - </u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2021: *lower than*) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £	2021 £
	<u> </u>	<u> </u>
Profit on ordinary activities before tax	-	12,738,090
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	-	2,420,237
Effects of:		
Income not taxable for tax purposes	-	(2,852,050)
Difference in deferred tax rates	-	(4)
Deferred tax not recognised	-	431,817
	<u> </u>	<u> </u>
Total tax charge for the year	<u> - </u>	<u> - </u>

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2021 (published on 24 May 2021, with royal assent received on 10 June 2021). This confirmed an increase to the corporation tax rate to 25% with effect from 1 April 2023. Deferred taxes at the Statement of financial position date have been calculated based on the corporation tax rate of 25% that is enacted at the reporting date.

There are £67 (2021: £67) of unused tax losses. A deferred tax asset has not been recognised on the unused tax losses.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Exceptional income

	2022	2021
	£	£
Waiving of Accrued interest on novated loan notes - CS Capital Partners IV, LP (Note 18)	-	14,340,153
Waiving of Accrued interest on novated loan Notes - Director's (Note 18)	-	48,634
Waiving of Accrued interest on novated loan notes - Other loan note holders	-	57,246
Removal of residual Capital Contribution Reserve	-	564,758
	<hr/>	<hr/>
	-	15,010,791
	<hr/>	<hr/>

Waiving of Accrued interest on novated loan notes in prior year

During the prior year, all accrued interest on deep discounted bonds and zero coupon loan notes was waived and the loan notes were novated from Propel Group Finance Limited to immediate parent Company Propel Finance Group Holdings Limited and subsequently converted to equity, the waving of the accrued interest resulting in a one-off non-trading gain of £14,446,033 in the Statement of Comprehensive Income.

Removal of residual Capital Contribution Reserve in prior year

The novated zero coupon notes held by the Company had been discounted on inception to deemed present value which created a Capital Contribution Reserve. The unwinding of the discounting of the zero coupon notes continued until the point of the novation, and the discount unwind to date was transferred from the capital contribution reserve to retained earnings, which left a remaining balance of £564,758. As the discounting was not fully unwound at this point as redemption date was 15 November 2022, the residual remaining balance of £564,758 was released to the Statement of Comprehensive Income as a one off-non trading gain.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2022	10,822,275
At 31 December 2022	<u>10,822,275</u>
Net book value	
At 31 December 2022	<u>10,822,275</u>
At 31 December 2021	<u>10,822,275</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Propel Finance Plc	Unit 5 Langstone Business Village Langstone Park, Langstone, Newport, United Kingdom, NP18 2LH	Ordinary	100%
Propel Finance No 1 Limited	Unit 5 Langstone Business Village Langstone Park, Langstone, Newport, United Kingdom, NP18 2LH	Ordinary	100%
Propel Finance No 2 Limited (Dormant) (Dissolved 4 April 2023)	Unit 5 Langstone Business Village, Langstone Park, Langstone, Newport, Gwent, United Kingdom, NP18 2LH	Ordinary	100%
Propel Finance No 3 Limited (Dormant) (Dissolved 11 April 2023)	Unit 5 Langstone Business Village, Langstone Park, Langstone, Newport, Gwent, United Kingdom, NP18 2LH	Ordinary	100%
Propel Midco LTD (Dormant) (Dissolved 4 April 2023)	Unit 5 Langstone Business Village, Langstone Park, Langstone, Newport, Gwent, United Kingdom, NP18 2LH	Ordinary	100%

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Debtors

	2022 £	2021 £
Amounts owed by Group undertakings	<u>77,325,629</u>	<u>43,352,417</u>

Other than an intercompany loan balance receivable from Propel Finance No 1 Limited of £24,213,215 at 31 December 2022 (2021: £Nil) (Note 18), amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	<u>240,839</u>	<u>726</u>

13. Creditors: Amounts falling due within one year

	2022 £	2021 £
Other loans	213,215	-
Amounts owed to Group undertakings	600	491
Other creditors	759	758
	<u>214,574</u>	<u>1,249</u>

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

For details of other loans please see note 15.

14. Creditors: Amounts falling due after more than one year

	2022 £	2021 £
Other loans	<u>24,000,000</u>	<u>-</u>

For details of other loans please see note 15.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Loans

Analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due within one year		
Other loans	213,215	-
	<hr/>	<hr/>
Amounts falling due 2-5 years		
Other loans	24,000,000	-
	<hr/>	<hr/>
	24,213,215	-
	<hr/> <hr/>	<hr/> <hr/>

On 15 August 2022, the Company entered into a term facility of £35m. The Loan is repayable in full on 15 August 2026. Interest is payable monthly at term Sonia + margin. The amount of repayment more than 5 years after the Balance Sheet date is £Nil.

The loan is secured by a floating and fixed charge over the assets of the Company with Quilam Special Opportunities 2 Limited: Charge code 0866 5300 0001 dated 15 August 2022. The charge also includes a negative pledge. Details of the charge is available from Companies House.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
119,300 (2021: 116,000) A Ordinary shares of £417.51 each	49,808,943	48,431,160
29,700 (2021: 13,000) B Ordinary shares of £0.01 each	297	130
	<hr/> 49,809,240 <hr/>	<hr/> 48,431,290 <hr/>

Current year

On 26 January 2022, 3,300 Ordinary shares were issued for £1,650,000 to Propel Finance Group Holdings Limited (Note 18).

On 26 January 2022, 16,700 B Ordinary shares were issued for £8,350,000 to Barclays UK Investments Limited (Note 18).

Prior year

On 21 September 2021, 45,347,946 were issued for £45,347,946 to Propel Finance Group Holdings Limited.

On 21 September 2021, the Ordinary shareholding 48,348,147 Ordinary shares at a value of £1.00 was consolidated to a holding of 115,800 A Ordinary shares at a nominal value of £417.51 each.

On 22 September 2021, 200 A Ordinary shares were issued for £100,000 to Propel Finance Group Holdings Limited.

On 22 September 2021, 13,000 B Ordinary shares were issued for £6,500,000 to Barclays UK Investments Limited.

A Ordinary Shares

The right of the shareholders are as follows:

- a) Each holder of A Ordinary Shares shall be entitled to receive notice of, and to attend and vote at, general meetings of the Company. Each share is entitled to one vote.
- b) Dividend rights - each share is entitled pari passu to dividend payments or any other distribution.
- c) Capital distribution rights - each share is entitled pari passu to participate in a distribution arising from a winding up of the Company.
- d) Not redeemable.

B Ordinary Shares

The right of the shareholders are as follows:

- e) Each holder of B Ordinary Shares shall be entitled to receive notice of, and to attend and vote at, general meetings of the Company. Each share is entitled to one vote.
- f) Dividend rights - each share is entitled pari passu to dividend payments or any other distribution.
- g) Capital distribution rights - each share is entitled pari passu to participate in a distribution arising from a winding up of the Company.
- h) Not redeemable.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. Reserves**Share premium account**

Represents a reserve for amounts received for Share Capital in excess of its nominal value.

Capital contribution

Represented the difference on issuance between the nominal value of zero coupon loan notes issued by the owners in comparison to their present value discounted at a market rate of interest.

The rate of discount used was 10% which is deemed an appropriate rate from review of comparable instruments.

In line with common practice a reserve transfer was made each financial year from this reserve to the profit and loss account akin to the amount of discount unwound as an interest expense.

In the prior year, there was a release of capital contribution reserve as part of the Capital Restructure, refer to note 9 and 18.

Profit and loss account

Includes all current and prior period retained profits and losses.

18. Related party transactions**Propel Finance Group Holdings Limited**

On 26 January 2022, 3,300 A Ordinary shares of £417.51 were issued to Propel Finance Group Holdings Limited.

As at the year end, the Company owed £599 (2021: £489) to Propel Finance Group Holdings Limited. The amounts owed are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

See the section entitled 2021 Capital Restructure for details of transactions in the preceding year.

Propel Finance Plc

As at the year end, the Company was owed £11,592,414 (2021: £11,442,417) by Propel Finance Plc. The amounts owed are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Propel Finance No 1 Limited

As at the year end, the Company was owed £41,520,000 (2021: £31,910,000) by Propel Finance No 1 Limited. The amounts owed are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

In addition, at the year end, the Company was owed £24,213,215 (2021: £Nil) by Propel Finance No 1 Limited. The amounts owed are unsecured, bear interest at margin plus term Sonia and are repayable on demand. Interest charged on the loan in the year amounted to £875,328 (2021: £Nil).

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. Related party transactions (continued)
Barclays Bank UK Plc / Barclays UK Investments Limited

On 26 January 2022, 16,700 B Ordinary shares were issued for £8,350,000 to Barclays UK Investments Limited.

During the 12-month period, Propel Finance No.1 Limited entered into certain transactions with other related parties of the shareholders and directors, in the normal course of business and on an arm's length basis. These companies are related to Propel Group Finance Limited on the basis of common directorship and/or shareholding. The names of the related parties, the nature of these transactions and their total value is shown below:

The Group paid Barclays Bank UK Plc, an indirect shareholder of the Company, commissions for the referral of customers who had the demand for entering into an equipment financing agreement in the normal course of business. The total commission charged during the year was £530,356 (2021: £583,700) and the total amount payable to Barclays as at 31 December 2022 was £131,482 (2021: £111,981).

The Group also received commissions from Barclays Bank UK Plc for the sale of receivables to certain finance agreements in the normal course of business. The total commission earned during the year was £2,743,170 (2021: £118,711) and the total amount outstanding as at 31 December 2022 was £Nil (2021: £Nil).

2021 Capital Restructure

Details in respect of related party transactions on the Capital restructure in 2021 can be found below.

CS Capital Partners IV, LP

During 2021, the Company owed £19,880,000 in deep discounted bonds and £9,970,000 in zero coupon loan notes to CS Capital Partners IV, LP.

On the 13 August 2021, the interest charged on the loan notes in the year was £1,992,566 and total accrued interest on the loan notes amounted to £14,340,153. This interest was waived and capitalised generating exceptional income during the year.

On 13 August 2021, the deep discounted bonds with a carrying value of £19,880,000 and the zero coupon notes with a carrying value of £9,407,074 were novated to Propel Finance Group Holdings Limited.

As at 31st December 2021, the Company owed £Nil in deep discounted bonds and £nil in zero coupon loan notes to CS Capital Partners IV, LP.

Director's Loan Notes

During 2021, the Company owed £288,000 in deep discounted bonds and £72,000 in zero coupon notes to two serving Directors.

On 13 August 2021, the interest charged on the loan notes in the year was £19,212 and total accrued interest on the loan notes amounted to £48,634. This interest was waived and capitalised generating exceptional income during the year.

On 13 August 2021, The deep discounted bonds with a carrying value of £288,000 and the zero coupon notes with a carrying value of £72,000 were novated to Propel Finance Group Holdings Limited.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. Related party transactions (continued)

As at 31 December 2021 the Company owed £Nil in deep discounted bonds and £Nil in zero coupon loan notes to the two serving Directors.

Propel Finance Group Holdings Limited

During 2021, following the capitalisation of all loan note holders accrued interest, all outstanding loan notes were novated from Propel Group Finance Limited to Propel Finance Group Holdings Limited. The total value of the loan notes was £20,260,060 of deep discounted bonds and £9,686,886 of zero coupon notes.

The remaining balance of the intragroup loan made from Propel Finance Group Holdings Limited of £45,347,946 was repaid of such amount and satisfied by the way of issue of 45,347,946 ordinary shares in the Company at a nominal value of £1.00 per share to Propel Finance Group Holdings Limited, where the issue of shares satisfies in full the intra-group balances owed by the Company to Propel Finance Group Holdings Limited.

Immediately following the share issuance, all of the 48,348,147 issued Ordinary Shares of £1.00 each in the capital of the Company held by Propel Finance Group Holdings Limited were re-designated and consolidated as 115,800 A Ordinary Shares of £417.51 each in the capital of the Company having the rights and being subject to the restrictions set out in the articles of association in the Company.

19. Financial instruments

	2022 £	2021 £
Financial assets		
Cash and cash equivalents	240,839	726
Financial assets measured at amortised cost	77,325,629	43,352,417
	<u>77,566,468</u>	<u>43,353,143</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(24,214,574)	(1,249)

Financial assets measured at amortised cost comprise amounts owed by Group undertakings.

Financial liabilities measured at amortised cost comprise other loans, other creditors and amounts owed to Group undertakings.

PROPEL GROUP FINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

20. Controlling party

The Company is a subsidiary of Propel Finance Group Holdings Limited, whose consolidated accounts are available to the public and may be obtained from Unit 5 Langstone Business Village, Langstone, Newport, NP18 2LH. The ultimate controlling related party is CS Capital Partners IV, LP.



Boost your
business

Propel Finance Group includes Propel Finance PLC and Propel Finance No.1 Limited. Propel Finance Plc is registered in Wales, Company no 04015132. Propel Finance No. 1 Limited is registered in Wales, Company no. 10003271. Registered offices are at Unit 5, Langstone Business Village, Langstone Park, Newport, NP18 2LH, vat no. 252089996. Propel Finance Plc and Propel Finance No. 1 Limited are authorised and regulated by the Financial Conduct Authority.